

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 740

RIN 3133-AD18

Revisions to the Official Sign Indicating Insured Status

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule with request for comments.

SUMMARY: NCUA proposes to revise the official sign indicating a credit union's share accounts are insured by the NCUA to reflect recent share insurance increases and by including a statement that NCUA-insured share accounts are backed by the full faith and credit of the United States Government. This proposal is required to comply with the Federal Deposit Insurance Reform Act of 2005 (Reform Act) and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Conforming Amendments Act).

DATES: Comments must be received on or before August 11, 2006.

ADDRESSES: You may submit comments by any of the following methods

(Please send comments by one method only):

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- NCUA Web Site:
http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html. Follow the instructions for submitting comments.
E-mail: Address to regcomments@ncua.gov. Include “[Your name] Comments on Proposed Rule Part 740” in the e-mail subject line.
- Fax: (703) 518-6319. Use the subject line described above for e-mail.
- Mail: Address to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.
- Hand Delivery/Courier: Same as mail address.

PUBLIC INSPECTION: All public comments are available on the agency’s website at <http://www.ncua.gov/RegulationsOpinionsLaws/comments> as submitted, except as may not be possible for technical reasons. Public comments will not be edited to remove any identifying or contact information. Paper copies of comments may be inspected in NCUA’s law library at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9:00 a.m. and 3:00 p.m. To make an appointment, call (703) 518-6546 or send an e-mail to OGC Mail @ncua.gov.

FOR FURTHER INFORMATION CONTACT: Frank Kressman, Staff Attorney, at the above address, or telephone: (703) 518-6540.

SUPPLEMENTARY INFORMATION:

A. Background

The Reform Act and Conforming Amendments Act, respectively Pub. L. No. 109-171 and Pub. L. No. 109-173, amended the share insurance provisions of the Federal Credit Union Act in a number of ways, including increasing share insurance coverage for certain accounts. 12 U.S.C. 1781-1790d. In March 2006, NCUA issued an interim final rule to implement many of those statutory amendments. 71 FR 14631 (March 23, 2006). Additionally, the Conforming Amendments Act also requires that NCUA's official sign, relating to the insurance of share accounts, include a statement that share accounts insured by NCUA, through the National Credit Union Share Insurance Fund, are backed by the full faith and credit of the United States Government. Section 740.4 of NCUA's regulations establishes the content and physical appearance of the official sign and dictates where insured credit unions must display the sign. This proposed rule amends §740.4 to comply with that statutory requirement and amends §740.4 and §740.5 to reflect recent share insurance increases.

The Conforming Amendments Act also imposes a penalty on an insured credit union that violates any statutory or regulatory provision related to the official sign. Specifically, an insured credit union is subject to a penalty of up to \$100 a day for

every day it is in violation of statutory or regulatory requirements. This proposed rule amends §740.4 to reflect this statutory provision.

B. Comment Period

As a matter of agency policy, NCUA usually gives the public 60 days to comment on proposed rules. NCUA Interpretive Ruling and Policy Statement No. 87-2. In this instance, NCUA has determined that 50 days to August 11, 2006, is sufficient to allow all interested parties to comment given the nature and relative simplicity of this proposed rule. Additionally, this slightly shorter time period better enables NCUA to meet a statutory deadline for issuing this regulation.

C. Supply of New Signs and Compliance

NCUA will provide all insured credit unions with an initial supply of the revised official sign with a blue background and white lettering at no cost to the credit unions and will make a downloadable graphic available on the agency website for credit unions to use on their websites. In the final rule and in a Letter to Credit Unions, NCUA will inform insured credit unions how and when they will receive their initial supply of revised official signs and set a reasonable period for insured credit unions to comply with the rule's requirements to display the official sign. In any event, a credit union will not be considered in violation of §740.4 unless the credit union fails to display the revised signs after receiving them from NCUA and after a reasonable compliance period for making changes at teller windows, websites, and, if applicable, to advertisements. NCUA requests

comment on whether a compliance date of 60 days after receiving the signs from NCUA would be a reasonable period for credit unions to come into compliance.

REGULATORY PROCEDURES

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a proposed rule may have on a substantial number of small credit unions (those under ten million dollars in assets). This rule clarifies that share accounts insured by NCUA are backed by the full faith and credit of the United States Government without imposing any additional regulatory burden. This rule would not have a significant economic impact on a substantial number of small credit unions, and, therefore, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

NCUA has determined that the proposed rule would not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as

defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. The proposed rule would not have substantial direct effects on the states, on the connection between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that this proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

The Treasury and General Government Appropriations Act, 1999 - - Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

AGENCY REGULATORY GOAL

NCUA's goal is to promulgate clear and understandable regulations that impose minimal regulatory burden. We request your comments on whether the proposed rule is understandable and minimally intrusive.

List of Subjects

12 CFR part 740

Advertisements, Credit unions.

By the National Credit Union Administration Board on June 22, 2006.

Mary F. Rupp

Secretary of the Board

For the reasons discussed above, NCUA proposes to amend 12 CFR part 740 as follows:

PART 740 – ACCURACY OF ADVERTISING AND NOTICE OF INSURED STATUS

1. The authority citation for part 740 continues to read as follows:

Authority: 12 U.S.C. 1766, 1781, 1789.

2. Section 740.4 is amended by revising the depiction of the official sign in paragraph (b) with the following depiction of the official sign and by adding new paragraph (f) to read as follows:

§ 740.4 Requirements for the official sign.

* * * * *

(b) * * *

Your savings federally insured to at least \$100,000
and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

* * * * *

(f) An insured credit union that fails to comply with Section 205(a) of the Federal Credit Union Act regarding the official sign, 12 U.S.C. 1785(a), or any requirement in this part is subject to a penalty of up to \$100 per day.

3. Section 740.5(c)(11) is amended by removing “of \$100,000” and adding in its place “insurance amount”.